

GARY L. ACKERMAN, NEW YORK, CHAIRMAN
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U.S. House of Representatives

COMMITTEE ON POST OFFICE AND CIVIL SERVICE
SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS

511 HOUSE OFFICE BUILDING ANNEX 1

Washington, DC 20515

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attending from Agency:

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**OVERSIGHT HEARINGS ON THE FEDERAL EMPLOYEES'
HEALTH BENEFITS PROGRAM**

WEDNESDAY, MAY 11, 1988

WITNESS LIST

HONORABLE PAT SCHROEDER

HONORABLE CONSTANCE HORNER, DIRECTOR, OFFICE OF PERSONNEL
MANAGEMENT

MR. JOHN A. NELSON, PRESIDENT, COMMUNITY HEALTH CARE PLAN,
SPEAKING FOR THE GROUP HEALTH ASSOCIATION OF AMERICA

DR. JOHN MCGRATH, SPEAKING FOR THE AMERICAN PSYCHIATRIC
ASSOCIATION AND THE AMERICAN MEDICAL ASSOCIATION

DR. BRYANT L. WELCH, EXECUTIVE DIRECTOR FOR PROFESSIONAL
PRACTICE, AMERICAN PSYCHOLOGICAL ASSOCIATION

DR. LARRY KLINE, CO-CHAIRMAN, COALITION FOR ADEQUATE MENTAL
HEALTH, ALCOHOLISM AND DRUG ABUSE SERVICES

*See last handout - HealthCare COMPARE
was invited to submit written
testimony. Exhibit A is an
excellent succinct description
of how 'their programs work.*

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Opening Statement Gary L. Ackerman, Chairman May 11, 1988

Today, the Subcommittee on Compensation and Employee Benefits will conduct the first of two oversight hearings on the Federal Employees' Health Benefits Program.

The FEHBP is an \$8.8 billion health insurance program, providing insurance coverage to approximately 11 million Federal workers, retirees and their dependents.

All Americans are adversely affected by the constantly increasing costs of medical care. Health care costs are rising almost twice as fast as the general inflation rate. Therefore, it is critical that FEHBP enrollees have adequate and affordable health insurance. Yet Federal employees are particularly disadvantaged since they pay approximately 40 percent of their health insurance premiums, while the majority of private employees pay nothing.

On the average, FEHBP premiums have increased by approximately 31 percent this year -- some plans' rates rose in excess of 70 percent -- and the premium inflation is unlikely to abate in the 1989 contract year. In part, these premium increases reflect the failure of recent efforts to control FEHBP health care costs. Health economists attribute the cost increases to the following factors: The volume of outpatient services is rising by staggering proportions; new medical technologies are extremely expensive and are being used more frequently; the population is aging, with accompanying costs for the treatment for chronic diseases; hospitals are significantly increasing the charges for treatments not covered by cost-control efforts; and many FEHBP plans are being plagued by adverse selection.

As one strategy in combating health care inflation, I strongly believe that FEHBP carriers and OPM need to pay more attention to cost-containment through health promotion programs. The preponderance of data indicates that these programs, which